

REMARKS OF  
HENRY A. WAXMAN,  
CHAIRMAN,  
SUBCOMMITTEE ON HEALTH AND THE ENVIRONMENT  
BEFORE  
THE AMERICAN HEALTH PLANNING ASSOCIATION  
JUNE 8, 1982

I AM PLEASED TO BE ABLE TO JOIN YOU TODAY.

THIS MEETING IS A VERY TIMELY ONE. WE'VE RECENTLY FINISHED LONG SESSIONS ON THE HOUSE FLOOR COPING WITH SEVEN BUDGETS WITH AS MANY AS SIXTY-EIGHT AMENDMENTS TO EACH. THIS WEEK WE WILL BEGIN THE DEBATE AGAIN, THIS TIME WITH THREE NEW SETS OF NUMBERS.

BEFORE I GET INTO THE SPECIFICS OF MY CONCERNS ABOUT HEALTH PLANNING, LET ME TRY TO GIVE YOU AN IDEA OF THESE BUDGET DELIBERATIONS AS THEY ARE FITFULLY PROCEEDING. LAST WEEK THERE WERE THREE FULL-FLEDGED PROPOSALS GIVEN A REAL CHANCE TO PASS, EACH WITH A DIFFERENT FOCUS FOR THE TAX, MILITARY, AND DOMESTIC PROGRAMS OF THE ENTIRE FEDERAL GOVERNMENT:

\* THE PROPOSAL BY CONGRESSMAN JONES, THE CHAIRMAN OF THE HOUSE BUDGET COMMITTEE, MADE CUTS OF \$12.7 BILLION IN HEALTH PROGRAMS OVER THREE YEARS.

\* THE PROPOSAL OF CONGRESSMAN ASPIN CUT \$11.8 BILLION FROM THE PROGRAMS OVER THE SAME PERIOD.

\* AND THE REAGAN-BACKED PROPOSAL OF CONGRESSMAN LATTA CUT AN UNBELIEVABLE \$27.5 BILLION.

MOST OF THESE CUTS WERE TO HAVE COME OUT OF THE MEDICARE PROGRAM.

TO THOSE OF US WHO HAVE BEEN IN THE CONGRESS FOR SOME YEARS, MUCH OF THE DISCUSSION OF THE MEDICARE PROGRAM HAS PROVIDED A STRANGE REVERSAL OF RHETORIC. TWO YEARS AFTER PRESIDENT CARTER'S HOSPITAL COST CONTAINMENT BILL WENT DOWN TO DEFEAT BECAUSE OF LACK OF SUPPORT IN THE CONGRESS--PARTICULARLY AMONG REPUBLICANS--SUDDENLY CONSERVATIVE REPUBLICANS ARE NOW SAYING THAT HEALTH CARE COSTS ARE OUT OF CONTROL AND THAT THEY ARE PROPOSING DRASTIC HOSPITAL-COST CONTAINMENT CONTROLS AS PART OF THEIR NEW BUDGET.

THE RANKING REPUBLICAN ON THE BUDGET COMMITTEE SAID, AND I QUOTE, "WHAT DO WE PROPOSE? THE ADMINISTRATION HAS PROPOSED HOSPITAL COST CONTAINMENT.... THESE MEDICARE COSTS HAVE GONE OUT OF SIGHT, AND THEY HAVE TAKEN COSTS TO OTHERS USING HOSPITALS WITH THEM.... IS THERE ANYTHING WRONG WITH TRYING TO GET A HANDLE ON THESE SKY-ROCKETING COSTS? I DO NOT THINK SO."

HE WENT ON TO ASSERT THAT SINCE ONLY PROVIDERS WERE RESPONSIBLE FOR INCREASES IN HOSPITAL COSTS, ONLY PROVIDERS WOULD FEEL THE \$23-BILLION REDUCTION IN THE MEDICARE PROGRAM.

THE IRONIES OF SUCH A DEBATE WERE APPARENT.

THE QUESTIONS ABOUT WHETHER THE SUPPORTERS OF THE LATTA PROPOSAL WOULD ACTUALLY VOTE FOR SUCH STRICT COST CONTROL MEASURES REMAINED. I WOULD NOTE THAT THEIR RECORD OF SUPPORT--OR I SHOULD SAY NON-SUPPORT--FOR PLANNING, ONE OF THE FEW PROGRAMS WE HAVE TO ADDRESS THE PROBLEM OF HOSPITAL COSTS, MAKES ME SKEPTICAL OF THEIR COMMITMENT.

WHAT WAS OBVIOUS, HOWEVER, WAS THAT THE ADMINISTRATION AND THE CONGRESSIONAL REPUBLICANS WERE PROPOSING THAT HEALTH CARE BE CUT BACK AND RATIONED ON THE BASIS OF AGE. THEIR PROPOSAL INCLUDED COST CONTAINMENT ONLY FOR MEDICARE BENEFICIARIES, AND THE REST OF THE COUNTRY COULD CONTINUE ON ITS OWN OVERBEDDED, UNDERUTILIZED WAY.

NEAR THE END OF THE DEBATE, IT BECAME CLEAR THAT THE REPUBLICANS HAD MADE A SERIOUS--AND FINALLY FATAL--MISTAKE IN PUTTING TOGETHER THEIR BUDGET. MORE AND MORE OF THE MODERATES OF BOTH PARTIES REALIZED THAT THE LATTA SLASHES WERE UNREALISTIC AND THAT SUCH "SAVINGS" COULD BE ACHIEVED ONLY BY A MASSIVE SHIFTING OF COSTS TO BENEFICIARIES AND ARBITRARY REDUCTIONS IN PROVIDER PAYMENT RATES.

AS REPUBLICAN MEMBERS CAME TO UNDERSTAND THIS, THE REPUBLICAN LEADERSHIP BECAME INTERESTED IN AN AMENDMENT I HAD PROPOSED THAT WOULD HAVE RESTORED SOME OF THEIR OWN ILL-CONCEIVED MEDICARE CUTS. (I WOULD NOTE THAT NONE OF THE REPUBLICANS HAD DRAFTED ANY AMENDMENTS TO RESTORE ANY OF THESE CUTS. MY AMENDMENT WAS ONE OF THE FEW THAT WOULD HAVE BEEN ALLOWED FOR CONSIDERATION IN THE DEBATE.)

I WAS CONVINCED THAT MY AMENDMENT HAD THE BACKING OF A MAJORITY OF THE HOUSE AND THAT IF IT WERE ADDED TO THE LATTA BUDGET, THAT THAT ENTIRE BUDGET WOULD PASS. AND IT WAS CLEAR TO ME THAT, WITHOUT A RESTORATION OF MOST OF THE MEDICARE CUTS, THE REPUBLICANS WOULD NOT FIND THE NECESSARY VOTES WITHIN THEIR OWN RANKS TO PASS THEIR ANTI-ELDERLY BUDGET.

BUT I DID NOT BELIEVE THAT THE WAY TO DEFEND MEDICARE WAS TO FUEL THE PASSAGE OF THE LATTA BUDGET. WE CANNOT SAVE PEOPLE'S HEALTH AT THE EXPENSE OF THEIR FOOD, THEIR HOUSING, AND THEIR ENVIRONMENTS.

I THEREFORE DECIDED TO WITHDRAW MY AMENDMENTS. ANOTHER AMENDMENT WAS EVENTUALLY OFFERED. BUT WHILE IT RESTORED ALL MEDICARE FUNDING FOR '83, IT LEFT \$18.5 BILLION OF CUTS IN THE PROGRAM IN 84 AND 85 INTACT. IT TOOK THE MONEY TO RESTORE 1983 MEDICARE EXPENDITURES SPECIFICALLY FROM DEFENSE AND, WHEN IT PASSED, IT POLITICALLY SANK ALL THE ALTERNATIVES.

THE RESULT OF ALL OF THESE LATE-NIGHT SESSIONS IS, OF COURSE, FAMILIAR TO YOU. ALL THREE BUDGETS WERE REJECTED. EVERYONE IN THE HOUSE HAS GONE BACK TO THE DRAWING BOARD.

THE BUDGET DEBATE THIS TIME AROUND WILL BEGIN WITH THE PRESIDENT'S ORIGINAL BUDGET, THE SAME BUDGET THAT CONTAINS THE HIGHEST DEFICITS OF ANY OF THE MAJOR PROPOSALS AND THE SAME BUDGET THAT WAS UNANIMOUSLY REJECTED BY THE SENATE BUDGET COMMITTEE.

THERE WILL BE TWO SUBSTITUTES PROPOSED, ONE DEMOCRATIC AND ONE REPUBLICAN. NUMBERS ARE STILL TOO UNCERTAIN TO PREDICT, BUT THE DEMOCRATIC BUDGET WILL PROVIDE SMALL INCREMENTS FOR DISCRETIONARY HEALTH SPENDING AND MODERATE CUTS IN ENTITLEMENTS, WITH MEDICARE FUNDING AT OR NEAR THE LEVEL OF MY AMENDMENTS.

THE REPUBLICANS HAVE ALREADY MADE IT CLEAR THAT THEY ARE LOOKING TO THE CONSERVATIVES FOR ADDITIONAL SUPPORT AND WILL FREEZE OR FURTHER CUT ALL NON-DEFENSE DISCRETIONARY SPENDING. MEDICARE AND MEDICAID LEVELS IN THIS BUDGET ARE STILL UNCLEAR, AND ALTHOUGH I WOULD EXPECT THAT THE REPUBLICANS WOULD HAVE TO MAKE SOME CONCESSIONS ON HEALTH PROGRAMS, THEY HAVE A VERY LONG WAY TO GO TO REACH AN ACCEPTABLE LEVEL.

I CANNOT PREDICT THE OUTCOME OF THIS NEW BUDGET BATTLE, BUT I'VE REACHED THE CONCLUSION WE WOULD BE BETTER OFF WITH NO BUDGET OR BUDGET PROCESS TO BE USED AS A VEHICLE FOR CUTTING ENTITLEMENTS FOR THE POOR AND THE ELDERLY.

6

BUT I MUST REPEAT TO YOU THE POINT THAT I HAVE ARGUED BEFORE THIS ADMINISTRATION EVEN ACKNOWLEDGED THERE WAS A PROBLEM: HEALTH CARE COSTS ARE GROWING TOO MUCH AND TOO QUICKLY. NO PART OF SOCIETY--PUBLIC OR PRIVATE--CAN LONG CONTINUE TO SUPPORT INFLATION RATES THAT APPROACH 20 PERCENT.

YOU WHO ARE HERE TODAY--AND THOSE WHOM YOU REPRESENT--HAVE DONE MUCH TO INCREASE THE EFFICIENCY OF THE HEALTH CARE SYSTEM DURING TIMES WHEN COST CONTAINMENT HAS NOT OFTEN BEEN POPULAR, NATIONALLY OR LOCALLY. YOUR COMMITMENT AND COURAGE IN THIS AREA HAS BEEN REMARKABLE.

AND THE NATION'S HEALTH CARE SYSTEM IS NOT JUST LESS EXPENSIVE AS A RESULT OF YOUR WORK: IT IS QUALITATIVELY BETTER.

--YOU HAVE IMPROVED PUBLIC HEALTH: NEW HYPERTENSION SCREENING PROJECTS AND BETTER IMMUNIZATION PROGRAMS PREVENTED ILLNESS AT THE LEAST EXPENSE, IN BOTH DOLLARS AND HUMAN COSTS.

--YOU HAVE MADE CARE MORE ACCESSIBLE: EMERGENCY SYSTEMS ARE BETTER; GERIATRIC DAY CARE CENTERS ARE AVAILABLE; MORE PRIMARY CARE PHYSICIANS ARE IN PRACTICE IN RURAL AND INNER-CITY AREAS.

--YOU HAVE OPENED THE SYSTEM TO POPULAR PARTICIPATION AND HAVE INVOLVED PEOPLE, ALL TYPES OF PEOPLE, IN DECISIONS ABOUT HEALTH. BECAUSE OF YOUR WORK WE NOW ALSO HAVE A GROUP OF NON-PROVIDERS WHO UNDERSTAND HOW THE HEALTH CARE SYSTEM WORKS AND WHO CAN ACTIVELY MAKE DECISIONS FOR PUBLIC PURPOSES AND WELL-BEING.

THESE ACCOMPLISHMENTS ARE ESPECIALLY IMPORTANT NOW IF WE ARE TO MAKE HEALTH CARE AVAILABLE TO ALL AMERICANS, REGARDLESS OF THEIR ABILITY TO PAY OR OF THE STATE IN WHICH THEY HAPPEN TO FALL SICK.

IN ORDER TO REACH THAT GOAL OR TO MAINTAIN OUR FEDERAL COMMITMENTS TO THE POOR AND THE ELDERLY OR EVEN TO KEEP INSURANCE COSTS WITHIN THE REACH OF MOST FAMILIES, WE MUST ALLOCATE OUR LIMITED RESOURCES EFFICIENTLY.

WHEN HOSPITAL INFLATION SHOOTS UP AT A RATE TWICE THAT OF THE CONSUMER INDEX, CURRENT PROGRAMS ABSORB ALL POSSIBLE FUNDS. AS A RESULT, ANY IMPROVEMENTS IN PUBLIC CARE OR COVERAGE ARE STOPPED BEFORE THEY CAN START: THE CHILD HEALTH ASSURANCE PROGRAM, FOR EXAMPLE--PROBABLY A \$2 BILLION PROGRAM, AT MOST, TO IMPROVE THE HEALTH OF CHILDREN ALL ACROSS THE ENTIRE NATION--WAS DEFEATED BECAUSE OF ITS COSTS. MANY OF THE MEDICARE/MEDICAID IMPROVEMENTS PROPOSED IN THE LAST YEAR OF THE CARTER ADMINISTRATION WERE LIKewise PUT ASIDE

INDEED, AS LAST YEAR'S BUDGET RECONCILIATION BILL AND THIS YEAR'S ATTEMPTS AT A BUDGET HAVE SHOWN, INFLATING COSTS IN HEALTH WILL LEAD DIRECTLY TO THE REDUCTION OF EXISTING BENEFITS AND ELIGIBILITY.

WITHIN SUCH A ZERO-SUM GAME, EVERYONE MUST BE INTERESTED IN EVERY EXPENSE. THE FEDERAL BUDGET PROCESS FORCES HEALTH PROGRAMS TO COMPETE WITH ALL OTHER USES FOR LIMITED DOLLARS; WITHIN THE HEALTH FUNCTION, DISCRETIONARY PROGRAMS MUST COMPETE WITH ENTITLEMENT SPENDING;

OVERBEDDED HOSPITALS ARE QUICKLY TRANSLATED INTO FEWER POLIO SHOTS.

INEFFICIENCIES IN BOND SUBSIDIES MEAN WE CANNOT AFFORD TO TRAIN NURSES.

AND ACCORDING TO THE ESTIMATES OF THE CONGRESSIONAL BUDGET OFFICE, EVERY ONE-PERCENT INCREASE IN HOSPITAL INFLATION COSTS THE FEDERAL GOVERNMENT \$350 MILLION--AS MUCH AS THE ENTIRE MATERNAL AND CHILD HEALTH PROGRAM.

THE QUESTION FOR ALL OF US HERE TODAY THEN BECOMES THE ROLE OF EXPANSION OF FACILITIES AND EQUIPMENT IN INCREASING THE COSTS WE ALL PAY. IT IS CLEAR THAT THE MEDICARE SYSTEM OF COST-PLUS REIMBURSEMENT PROVIDES FULL FINANCIAL SUPPORT FOR THE CREATION AND OPERATION OF UNNEEDED FACILITIES, EQUIPMENT, AND SERVICES.



AND IT IS EQUALLY CLEAR THAT EXCESS EXPANSION WILL CREATE NEW COSTS FOR THE SYSTEM. A RECENT A. D. LITTLE STUDY PLACES THAT COST INCREASE AT A RATE OF ALMOST THREE HUNDRED MILLION DOLLARS IN ANNUAL OPERATING COSTS FOR EVERY BILLION SPENT FOR CAPITAL. THE CBO ALSO ESTIMATES THAT ~~EVERY~~ 10% INCREASE IN BEDS BRINGS ABOUT A 4% INCREASE IN ANNUAL COSTS.

AN UNDERSTANDING OF THIS UNIQUE MARKET ACTIVITY LED THE CONGRESS TO BECOME CONCERNED WITH HEALTH PLANNING IN THE EARLY 70'S. THIS ACTIVE CONCERN BEGAN WITH THE ADOPTION OF SECTION 1122 AS A PROVISION OF THE MEDICARE AND MEDICAID AMENDMENTS OF 1972 AND GREW INTO THE HEALTH PLANNING ACT IN 1974.

OVER THE SEVERAL YEARS FOLLOWING THE ADOPTION OF THESE LAWS, THE HOSPITAL INDUSTRY HAS BEEN SOMEWHAT MORE RESTRAINED IN ITS CONSTRUCTION AND CAPITAL OUTLAYS. AFTER FIFTEEN YEARS OF STEADY INCREASE, THE NUMBER OF BEDS PER CAPITA HAS STABILIZED AND EVEN FRACTIONALLY DECREASED. CAPITAL EXPENDITURES HAVE--IN REAL DOLLARS--DECLINED FROM THEIR RECORD LEVELS IN 1972 AND 1976.

THESE REDUCED NUMBER OF BEDS AND EXPENDITURES HAVE SAVED US A LOT OF MONEY: NATIONAL SPENDING FOR HEALTH CARE IS ESTIMATED TO BE REDUCED BY FIVE TO SEVEN BILLION DOLLARS THIS YEAR, WITH OVER TWO BILLION DOLLARS OF THOSE SAVINGS REFLECTED IN LOWER MEDICARE AND MEDICAID PAYMENTS.

10

AS CHAIRMAN OF THE SUBCOMMITTEE ON HEALTH AND THE ENVIRONMENT, I HAVE WORKED TO PRESERVE AN EFFECTIVE PLANNING PROGRAM TO LIMIT UNNECESSARY GROWTH. LAST YEAR, AS YOU KNOW, THE SENATE PROPOSED THE REPEAL OF PLANNING AS PART OF ITS BUDGET BILL. THIS YEAR THE SENATE STILL HAS TAKEN NO ACTION TO RE-AUTHORIZE THE PROGRAM.

ON THE HOUSE SIDE, I ORIGINALLY PROPOSED A THREE-YEAR EXTENSION OF A STREAMLINED PLANNING PROGRAM. THAT BILL MET WITH SOME OF THE STRONGEST RESISTANCE FROM THE ORGANIZED PROVIDER GROUPS IN THE 97TH CONGRESS. THE A.M.A., ONE OF THE LARGEST OF THE POLITICAL FUND-RAISERS IN THE COUNTRY, WORKED VERY HARD TO DEFEAT ANY EXTENSION AT ALL. THE FEDERATION OF AMERICAN HOSPITALS, THE AMERICAN HOSPITAL ASSOCIATION, AND THE NATIONAL COUNCIL OF COMMUNITY HOSPITALS ALSO OPPOSED THE PROGRAM.

MY PROPOSAL TO REVISE AND EXTEND PLANNING WAS CONSIDERED IN THE FULL COMMERCE COMMITTEE A FEW WEEKS AGO AND WAS DEFEATED BY THE ADOPTION OF A BILL THAT, FOR ALL PRACTICAL PURPOSES, WOULD HAVE MEANT THE END OF PLANNING.

FOLLOWING THE COMMITTEE'S ACTION, A COMPROMISE AGREEMENT HAS BEEN REACHED BETWEEN REPRESENTATIVES DINGELL, BROYHILL, MADIGAN, SHELBY AND MYSELF TO DEVELOP AN ALTERNATIVE PROPOSAL FOR PRESENTATION ON THE HOUSE FLOOR. IT IS A COMPROMISE, BUT IT DOES CONTINUE FEDERAL SUPPORT FOR THE PLANNING PROGRAM AND IT CONTAINS SOME FEATURES THAT I HOPE WILL BE USEFUL IN ALLOCATING HEALTH RESOURCES EFFICIENTLY. I WOULD ESPECIALLY LIKE TO SINGLE OUT CONGRESSMAN MADIGAN FOR HIS LEADERSHIP IN BRINGING THIS COMPROMISE INTO BEING. IT WILL BE TO HIS CREDIT THAT THOSE WHO DESIRED TO END PLANNING WILL NOT SUCCEED.

WHILE I'M SURE THAT MOST OF YOU ARE NOW FAMILIAR WITH THE OUTLINE OF THIS AGREEMENT, I WOULD LIKE TO REVIEW THE MOST IMPORTANT FEATURES HERE. UNDER THE AGREEMENT AS IT IS NOW STRUCTURED:

- \* STATES WILL RECEIVE HEALTH PLANNING BLOCK GRANTS. THESE FUNDS ARE TO BE USED TO DEVELOP STATE HEALTH PLANS AND TO OPERATE C.O.N. PROGRAMS. \$32 MILLION IS TO BE AUTHORIZED FOR STATE AGENCIES IN FISCAL '83.
- \* STATES WILL BE FREE TO DECIDE WHETHER THEY WANT TO PARTICIPATE IN THE PROGRAM AND WHETHER THEY WANT TO ESTABLISH C.O.N. PROGRAMS. THE FUNDING SANCTIONS OF THE PUBLIC HEALTH SERVICE ACT ARE TO BE DELETED, AND STATES WITHOUT C.O.N. ACTIVITIES WILL BE INELIGIBLE SIMPLY FOR PLANNING FUNDS.
- \* STATES MAY ALSO RECEIVE FUNDS TO PASS THROUGH TO LOCAL AREA-WIDE AGENCIES. THESE AGENCIES MAY BE PUBLIC OR NON-PROFIT PRIVATE; THEY ARE TO BE DESIGNATED BY THE STATES AND CONTROLLED BY A BOARD WITH A MAJORITY OF NON-PROVIDERS. THESE AGENCIES WILL SHARE IN NATIONAL FUNDS THAT WILL NOT EXCEED \$32 MILLION IN 1983.
- \* FUNDS WILL BE PROVIDED TO EXISTING STATE AND LOCAL AGENCIES UNTIL THE SECRETARY HAS ESTABLISHED REGULATIONS AND NEW AGENCIES ARE FUNDED.

WITH THESE FEATURES, THE COMPROMISE AGREEMENT DOES ENSURE THAT MOST STATE AND SOME AREA AGENCIES WILL CONTINUE TO EXIST AND THAT STATE HEALTH PLANS WILL CONTINUE TO BE DEVELOPED AND CERTIFICATE OF NEED PROGRAMS WILL ~~CONTINUE~~ CONTINUE TO BE OPERATED IN MANY STATES.

OBVIOUSLY, HOWEVER, THIS PROPOSAL IS NOT AN EXTENSION OF THE EXISTING PROGRAM. A NUMBER OF FEATURES OF THE PROPOSAL WERE NOT A PART OF MY ORIGINAL RE-AUTHORIZATION BILL. FOR EXAMPLE:

- \* STATES ARE TO BE ALLOWED TO INCREASE THE C.O.N. THRESHOLD TO \$5 MILLION. THEY CANNOT SET A THRESHOLD OF LESS THAN \$1 MILLION.
- \* AREA PLANNING AGENCIES ARE PROHIBITED FROM CONDUCTING C.O.N. REVIEWS. AND
- \* FUNDS FOR THE PROGRAM ARE REDUCED TO A MAXIMUM OF \$64 MILLION IN 1983--A TWO-THIRDS REDUCTION IN REAL DOLLARS FROM 1980 FUNDING LEVELS, AND A THREE-QUARTERS REDUCTION FOR AREA AGENCIES.

THERE IS NO QUESTION THAT THE PLANNING SYSTEM THAT WILL RESULT WILL BE CONSIDERABLY WEAKER. THE ADMINISTRATION'S ACTIONS OVER THE PAST TWO YEARS HAVE BADLY DAMAGED THE PROGRAM. THE CONGRESSIONAL APPROPRIATION FOR THIS YEAR IS ALSO PAINFULLY LOW. AND THE COMPROMISE I HAVE OUTLINED IS OBVIOUSLY NOT MY IDEA OF THE BEST SYSTEM FOR THE COUNTRY.

BUT IT DOES PRESERVE THE PROGRAM.

IT WILL BE SUPPORTED BY MEMBERS OF CONGRESS WHO ONLY RECENTLY WERE DETERMINED ~~TO~~ SCUTTLE PLANNING ALTOGETHER.

AND I BELIEVE IT REPRESENTS A COMPROMISE THAT CAN PASS.

I AM CONCERNED THAT AS A CONGRESS WE CANNOT MAKE A STATEMENT THAT THE NATION NO LONGER NEEDS TO BE CONCERNED ABOUT EXPANSION AND CAPITAL OUTLAYS.

SOME OF THE ADMINISTRATION'S RHETORIC ABOUT COMPETITION SUGGESTS THAT FREE-WHEELING EXPANSION IS PREFERRED, AND THAT WHATEVER LEFTOVER BEDS THERE MAY BE ARE SIMPLY THE BYPRODUCT OF THE MARKET (ALTHOUGH UNLIKE A TRUE MARKET, THERE IS A SAFETY NET OF INSURERS AND CONSUMERS TO CUSHION THOSE COMPETITORS WHO ARE OVERBUILT AND UNDERUSED).

THAT STATEMENT HAS NOT GONE UNNOTICED. HEARING THIS INVITATION TO EXPAND AND TO MAKE "HIGH-TECH" PURCHASES, THE HOSPITAL INDUSTRY HAS RESPONDED LIKE A TEENAGER BORROWING QUARTERS IN FRONT OF A PAC MAN MACHINE.

TESTIFYING BEFORE MY SUBCOMMITTEE ONLY A MONTH AGO, THE WASHINGTON BUSINESS GROUP ON HEALTH WARNED THAT WE ARE ALREADY BEGINNING TO SEE A "BUILDING BOOM OF UNPRECEDENTED PROPORTIONS."

SIMILARLY, REPRESENTATIVES FROM THE COMMERCIAL HEALTH INSURERS STATED THE NATION HAD "GREAT REASONS TO FEAR UNRESTRAINED CAPITAL EXPANSION" AND SUMMARIZED A SURVEY WHICH REVEALED "ALARMING INCREASES" IN PROPOSED HOSPITAL CAPITAL PROJECTS.

FINALLY, WITNESSES FROM THE STATES PRESENTED DETAILED EVIDENCE OF AN "EXPLOSION OF CAPITAL EXPANSION" BY THE HOSPITALS AND NURSING HOMES IN TWENTY STATES.

I DO NOT MEAN TO SUGGEST THAT I THINK THAT ALL RENOVATION AND CONSTRUCTION PROJECTS ARE BAD. CLEARLY, NO ONE WOULD ARGUE THAT THE HOSPITALS SHOULD JOIN THOSE OTHER AMERICAN INDUSTRIES THAT HAVE ALLOWED THEIR PLANTS AND SYSTEMS TO DETERIORATE BELOW PRODUCTIVE LEVELS. AND THERE ARE CERTAINLY SOME AREAS STILL IN GREAT NEED OF INCREASED CAPACITY.

BUT I DO MEAN TO SAY THAT THE BUILDING BOOM THAT IS UPON US NOW DOES NOT RESPOND TO EITHER OF THESE PROBLEMS. INDEED, TO THE EXTENT THAT THIS UNPLANNED CONSTRUCTION DRAINS ALL CAPITAL AWAY TO BLUE CHIP HOSPITALS, IT MAKES WORSE THE NEED FOR RENOVATION AND EXPANSION OF OTHER COMMUNITY FACILITIES.

THE CONGRESS SHOULD MONITOR THIS SITUATION CLOSELY. A RETURN TO THE RATE OF HOSPITAL CONSTRUCTION AS IT WAS BEFORE THE PLANNING PROGRAM BEGAN WOULD, WITHIN FIVE YEARS, ADD OVER THREE BILLION DOLLARS ANNUALLY TO THE FEDERAL REIMBURSEMENT PROGRAMS AND WELL OVER TEN BILLION TO THE NATION'S HOSPITAL BILLS.

WE WILL NEED YOUR LEADERSHIP NOW AND AS WE TRACK THE FUTURE COURSE OF THE HEALTH CARE INDUSTRY. I LOOK FORWARD TO WORKING WITH YOU IN THE MONTHS AND YEARS AHEAD--AS I HAVE IN THE PAST--TO BUILD A SYSTEM THAT PROVIDES CARE TO ALL AMERICANS, REGARDLESS OF THEIR AGE, THEIR HOME STATE, OR THEIR WEALTH.

THANK YOU FOR INVITING ME TO BE HERE. I'LL BE GLAD TO ANSWER ANY QUESTIONS YOU MAY HAVE.